

Reimbursing Employers



UIA 2012 Employer Seminars

Reimbursing Employers

Because Reimbursing employers reimburse the UIA dollar-for-dollar for the benefits paid out, they do not send in a tax payment with Form UIA 1020-R.

When separated employees draw benefits on reimbursing employers, the employer is sent a separate billing form, UIA 1763, Reimbursing Employer Billing for Benefit Charges. This notice is sent quarterly or annually, depending on the company's "billing type".

Reimbursing Employers

- If no benefits are paid out, the reimbursing employer gets no bill and doesn't have to make a quarterly payment. Some reimbursing employers never have a claim or have to pay anything for UIA taxes. For others, the reimbursements can be high.

Section 13a

- A Non-profit employer will be determined liable as a contributing employer, unless the employer requests to be reimbursing when registering.
- The employer must provide a copy of the 501(c)(3) determination from the IRS and comply with bonding requirements, if necessary.

If a non-profit employer anticipates gross payroll of over \$100,000.00 within a calendar year they are required to provide a security instrument to insure they are covered for the full amount of benefit charges. This is only if they request reimbursing status.

Section 13a and 13l

- A Governmental Agency, Indian Tribe, or Tribal Unit will be determined liable as a reimbursing employer, unless it requests to be contributing at the time of registration.
- Indian tribes are subject to the same bonding requirements as non-profit entities.

Section 13a and 13i

A non-profit or governmental organization wishing to convert from reimbursing to contributing (or contributing to reimbursing) status must notify the UIA *in writing* within 30 days of being determined liable, or not less than 30 days before the beginning of the calendar year in which the change will be effective.

Since reimbursing employers pay the full amount of claims each year, they may want to convert to the 'contributing' status, and be assigned a tax rate and pay only a percentage of their payroll each quarter. Contributing employers do not feel the full effect of layoffs until after two years.

Changing Status from Reimbursing to Contributing

When submitting Form 518, *Michigan Business Taxes Registration*, these rules apply:

1. The request for conversion must be timely.
2. Employer has been reimbursing for at least 2 years.
3. Any benefit charges on the reimbursing account prior to conversion are paid in full.
4. Any missing Form UIA 1020-R must be submitted prior to conversion.
5. Employer will be responsible for any related benefit charges that continue to post to the inactive Reimbursing account for up to 2 years past the inactive date.

There are some requirements to change from Reimbursing status to Contributing status. You must submit a new 518 form, and meet the requirements as stated above.

Changing Status from Contributing to Reimbursing

When submitting Form 518, Michigan Business Taxes Registration these rules apply:

1. The request for conversion must be timely.
2. Employer must have been contributing for at least one year.
3. Any missing Form UIA 1020 tax reports are submitted prior to conversion.
4. Any unpaid taxes, interest and penalties on the contributing account were paid prior to conversion.
5. Any negative reserve balance must be paid prior to conversion.

Above are the requirements to change from Contributing status to Reimbursing status. You must be non-profit with a 501 (c)(3) designation to become a Reimbursing employer.

Changing Status from Contributing to Reimbursing

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6. For non-profit employers, the 501(c)(3) exemption is supplied.
7. The reimbursing security bond, if required, has been provided.

*Benefit charges that are a result of wages paid (before the conversion) that post to the contributing account following the conversion to reimbursing, must be moved to the reimbursing account for reimbursement as provided by Section 22b(4)(b) of the Act.

Section 24 & 19(a)(1)(i)

Any employer who fails to submit tax reports or files “zero” payroll reports for 12 consecutive quarters will automatically be made an “Inactive Status” employer.

Section 24- The account is automatically terminated if an employer has been inactive for 3 June 30ths (12 quarters).

Section 19(a)(1)(i)-if an employer’s coverage is terminated under Section 24, or at the conclusion of 12 or more consecutive quarters of non-employment, and the employer again becomes liable for contributions, the employer shall be considered as newly liable for tax rate purposes.

Note Section 24: This requirement used to be 8 quarters, it has been extended to 12 quarters.